

Message Text

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ACTION ABF-01

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C O N F I D E N T I A L CAIRO 3165

E.O. 11652: GDS

TAGS: EAIR, EFIN, EG, US

SUBJECT: CIVAIR: REQUEST FOR CONVERSION OF EGYPTIAN POUNDS HELD BY
TWA

REF: STATE 50991

1. CHARGE MET MARCH 10 WITH MINISTER OF FINANCE ABU ISMAIL TO DISCUSS PROBLEM OF CONVERTING INTO DOLLARS EGYPTIAN POUNDS ACCUMULATED BY TWA OVER THE PAST YEAR OF OPERATIONS. PER INSTRUCTIONS CONTAINED PARA 6 REFTEL, CHARGE ASKED THAT AT LEAST LE 400,000 OF LE 1 MILLION CURRENTLY HELD BY TWA BE CONVERTED INTO DOLLARS. IN ADDITION TO UNFAVORABLE TWA SITUATION BECAUSE OF THESE GOE ARREARAGES CHARGE EXPLAINED ADVERSE EFFECT WHICH THIS SITUATION ALSO HAS HAD ON OFFICIAL USG TRAVEL, PARTICULARLY UNDER PROGRAMS ORGANIZED UNDER JOINT COOPERATION COMMISSION ACTIVITIES. HE POINTED TO VALUE OF THESE PROGRAMS TO EGYPTIAN RESEARCH AND DEVELOPMENT, NOTING THAT THESE ACTIVITIES WOULD BE CUT OFF BECAUSE TRAVEL EXPENDITURES UNDER THESE PROGRAMS ARE BUDGETED IN EGYPTIAN POUNDS BELONGING TO US EXCESS CURRENCY HOLDINGS ACCUMULATED UNDER PL 480.

2. ABU ISMAIL INDICATED HIS UNDERSTANDING OF THE SITUATION BUT SAID THAT, AS CHARGE WELL KNEW, EGYPT WAS SUFFERING FROM AN ACUTE SHORTAGE OF FOREIGN EXCHANGE. NEVERTHELESS, FINANCE
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MINISTRY WAS PREPARED TO CONVERT FOR ALL AIRLINES OPERATING

IN EGYPT ARREARAGES ACCUMULATED IN DECEMBER 1974 AND JANUARY 1975. HE NOTED, HOWEVER, THAT THERE WERE NO ARREARAGES OWED TWA FOR THESE MONTHS, BUT HE WAS PREPARED TO OFFER \$150,000 AND POSSIBLY AS MUCH AS \$200,000 TO TWA IN VIEW OF THEIR LARGE ACCUMULATION OF EGYPTIAN POUNDS. HE NOTED, HOWEVER, THAT THIS PAYMENT WOULD BE CREDITED FOR THAT TWO-MONTH PERIOD AND CAUTIONED THAT TWA SHOULD NOT REVEAL AMOUNT TO OTHER AIRLINES.

3. CHARGE INDICATED THAT, WHILE EVERY LITTLE BIT WAS WELCOME, THIS SMALL PAYMENT WOULD DO LITTLE TO EASE TWA'S FINANCIAL BURDEN AS RESULT OF OPERATING IN EGYPT. ABU ISMAIL SAID THAT THIS WAS BEST THAT COULD BE DONE AT PRESENT TIME, PARTICULARLY SINCE PAYMENT WOULD HAVE TO BE MADE TO ALL AIRLINES WHO WERE IN MORE OR LESS SIMILAR POSITION. ABU ISMAIL THEN PROPOSED TO TRY TO EASE FUTURE BURDEN ON TWA AND OTHER AIRLINES BY ADDING ADDITIONAL 16 PERCENT SURCHARGE ON ALREADY EXISTING 10 PERCENT SURCHARGE ON AIRLINE TICKET PURCHASES. HE SAID THAT HIS PROPOSAL WOULD CALL FOR CONTINUED CONTRIBUTION OF 10 PERCENT SURCHARGE TO GENERAL FUND UNTIL ARREARAGES WERE FULLY SETTLED, AT WHICH TIME 10 PERCENT SURCHARGE WOULD BE DROPPED. NEW 16 PERCENT SURCHARGE WOULD REMAIN AND WOULD BE HELD BY AIRLINES WITHOUT NECESSITY OF TURNING IT INTO GENERAL FUND. THIS ADDITIONAL INCOME OF POUNDS WOULD PERMIT AIRLINES TO ACQUIRE DOLLARS ON PARALLEL MARKET UNDER MORE FAVORABLE ARRANGEMENTS.

4. CHARGE SAID HE WOULD REPORT THIS TO HIS AUTHORITIES, BUT DID NOT BELIEVE THAT THIS WOULD BE SUFFICIENT TO ELIMINATE PRESENT UNSATISFACTORY SITUATION. HE SAID FURTHER THAT HE WOULD CONSULT WITH TWA AND PASS ON ANY VIEWS THAT THEY MIGHT HAVE IN THIS CONNECTION. ABU ISMAIL INDICATED THAT HE HAD ISSUED INSTRUCTIONS TO SECURE IATA APPROVAL OF NEW SURCHARGE AND THOUGHT THAT THIS WOULD HELP IMPROVE SITUATION.

5. AS WAS ANTICIPATED, THIS AGREEMENT BY FINANCE MINISTER TO PAY ONLY 20 PERCENT OF REQUESTED AMOUNT TO BE CONVERTED PROVED UNSATISFACTORY TO TWA FINANCIAL MANAGER WHO WAS INFORMED OF FINANCE MINISTER'S PROPOSAL SAME DAY. LATTER
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INDICATED THAT HE WOULD NEED UP TO 50 PERCENT SURCHARGE IN ORDER TO BE ABLE TO CONVERT EGYPTIAN POUNDS INTO DOLLARS AT REASONABLY FAVORABLE RATE. TWA OFFICIAL HAD NUMBER OF SUGGESTIONS WHICH CHARGE RECOMMENDED HE PUT INTO A MEMO THAT CHARGE WOULD BE WILLING TO SEND TO FINANCE MINISTER WITH REQUEST THAT HE GRANT TWA OFFICIALS AN APPOINTMENT TO DISCUSS THEIR PROPOSALS AND PROPOSED SOLUTIONS.

6. COMMENT: WHILE EMBASSY HAD INDICATED WILLINGNESS TO MAKE REPRESENTATIONS AUTHORIZED BY REFTEL TO FINANCE MINISTER, THE CONTINUING CRITICAL STATE OF EGYPTIAN FOREIGN EXCHANGE POSITION PERMITTED LITTLE HOPE THAT ENTIRE AMOUNT OF 400,000 POUNDS COULD BE CONVERTED. HOWEVER, 20 PERCENT OF THIS FIGURE

IS, AS INDICATED ABOVE, HARDLY SATISFACTORY, BUT DOES AT LEAST REPRESENT SOMETHING MORE THAN TWA HELD BEFORE. HOWEVER, EMBASSY DOES NOT EXPECT THAT THIS WILL BE SUFFICIENT TO CAUSE TWA TO CHANGE PRESENT RESTRICTIVE POLICY CONCERNING USE OF EGYPTIAN POUNDS. HOWEVER, EMBASSY WILL CONTINUE TO SUPPORT TWA EFFORTS TO FIND OTHER SOLUTIONS WHICH COULD EASE TWA'S DIFFICULT FINANCIAL BURDEN AS WELL AS RESTRICTION ON POUND FINANCED TRAVEL.
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